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LETTER

TO

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THE STOCKHOLDERS

OF THE

PROVINCIAL INSURANCE CO.

OF CANADA,

BY

A M. CLARK.

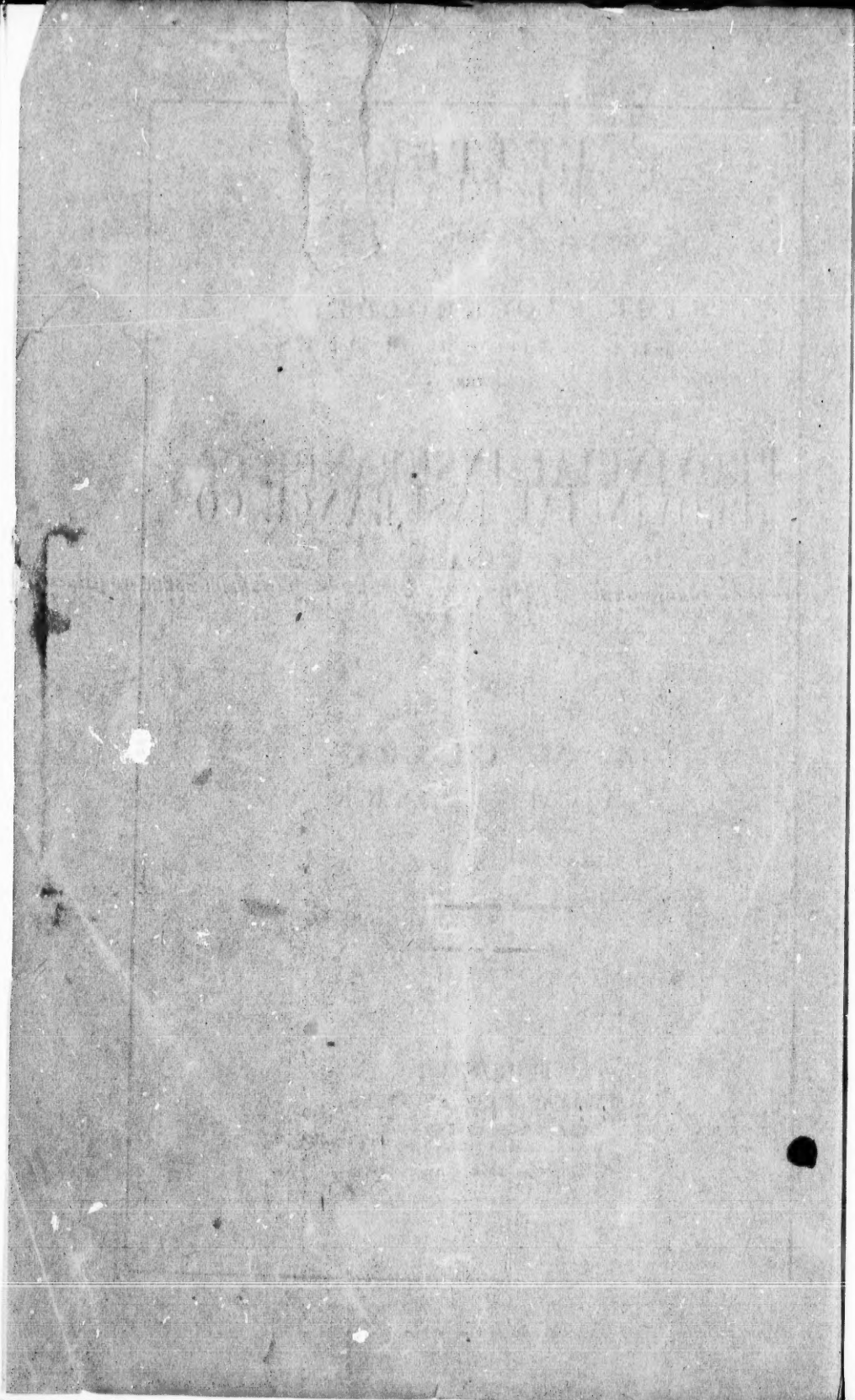
*By Mr. M. Munnick
Toronto*

TORONTO :

MACLEAR & CO., PRINTERS,

17 & 19 KING STREET EAST.

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TO THE STOCKHOLDERS
OF THE
PROVINCIAL INSURANCE COMPANY OF CANADA.

GENTLEMEN :

Three years ago a combination was secretly formed against me, through the misrepresentations of a discarded Agent of the Company, and a few discontented or jealous individuals, who, taking advantage of the severe losses unavoidably sustained by this Company (in common with underwriters in all parts of the world at that period), succeeded in prejudicing your minds so far, that I was ejected from a seat in your Board, which I had held from the formation of the Company in 1849, during which period I had been President of the Company for more than five years.

Conscious of having served you faithfully, and of having deserved different treatment, I submitted patiently to my fate, though owning by far the largest amount of stock held by any individual, viz., £25,000 ; but ere nine months had passed I was re-called to fill a vacancy, by the unanimous vote of the Board. This was on the 5th of May, 1856, since which time I have given that attention to the business of the Company which my large stake in it would lead you to expect. But I now learn that an attempt is to be made at the coming election to deprive me of all share in the management of the large amount I unfortunately own in the Company ; and that to effect this, the party concerned will avail themselves of the false, but hitherto unrefuted accusations made against me at the election of 1855.

It is therefore due to you, as well as to myself, that I should prove to your satisfaction that those accusations which produced so unfavorable an impression on your minds against me, were either unfounded in fact, or chargeable to others rather than to myself. To do this, I must quote freely from the Records of the Company, and this I am entitled to do, rather than suffer falsehood to prevail

over truth--and being addressed to none but Shareholders, it is clearly no breach of confidence.

The charges against me are, as I understand, that I introduced the payment of Bonuses and Dividends when there were no profits, and benefited largely thereby ; that I used my official designation of President of the Company, in 1854, to strengthen my own credit at the expense of that of the Company ; and that I extended the business of the Company to Europe and the United States, particularly to New Orleans, and resisted the wishes of the Board to withdraw from the latter place when it was found to be unprofitable.

The Board of the Provincial consists of Eleven members, and the President has no more power in carrying measures, than any other Director, excepting the casting vote where the votes are even. Unless, therefore, it can be shown that objectionable measures were carried by the casting vote of the President—or that he had such influence over the majority of the members, that they followed him “like a flock of sheep,” it is clearly unjust to blame the President of a Company, for objectionable or unsuccessful measures, *more* than any other Director. If mismanagement did take place, let me share the blame *equally* with others ; but if I show, as I intend to do, that those very measures for which I have been made the scape-goat, were carried without a division even, whilst my influence was so small that I could not prevail upon the Board to adopt measures of a conservative nature, when strongly pressed upon them, or to alter the faulty mode of estimating profits introduced by Mr. O'Brien, then you will at length do me justice. I shall begin with the Bonus question.

The Proprietary Branch of the Company commenced in 1850, and on the 2nd of April, 1851, I find from the Minute Book that a resolution was moved by Mr. Howard, seconded by Mr. Perrin, and resolved, “that in consideration of the responsibilities assumed by the Stockholders in joining the Company in its incipient state, a Bonus from the *Cash or Premium fund* of 5 per cent. on the subscribed capital be declared—the said Bonus not to be paid out in cash, but to be appropriated as an instalment to be added to their paid up stock, and to bear dividend the same as the stock paid for in cash.”

This was at the rate of 100 per cent. on the paid up capital.

The President was the only member who opposed this resolution, as he did every subsequent resolution for a Bonus.

19th June, 1851.—Mr. BOWES gave notice of motion for a Bonus of 5 per cent. on the subscribed capital.

3rd Dec., 1851.—Moved by Mr. BOWES and ATKINSON, that a Bonus of 5 per cent. be declared; carried in amendment for only 2½ per cent. on the subscribed capital.

30th Dec., 1851.—Moved by Messrs. HOWARD and PERRIN—That a Dividend at the rate of 8 per cent. be declared—Carried.

23rd June, 1852.—A Dividend at the rate of 10 per cent. was declared, on motion of Messrs. CAMERON and PERRIN.

21st Dec., 1852.—Moved by Mr. BOWES, seconded by Mr. MORRISON, that a Dividend be declared at the rate of 12 per cent. per annum, and a Bonus of 5 per cent. to be applied to increase of capital.

29th Nov., 1853.—Moved by Mr. BOWES, seconded by Mr. CRAWFORD, and Resolved, that a Bonus of 5 per cent. on the subscribed capital be declared.

20th Dec., 1853.—A Dividend of 10 per cent. per annum. for the year was declared, at the rate of 10 per cent. per annum.

The above was the last Bonus declared, and up to that date I was a subscriber to the capital stock of only 305 shares; but in two or three months after its discontinuance I was owner of 1250 shares, or £25,000. I had not only opposed the Bonus system, but I used all the influence I possessed, *but in vain*, to induce the Board to form a *Sinking Fund*, the best safeguard, in times of pressure, of Insurance and Banking Institutions. It is not usual for a President to move resolutions himself; he has to find a member who, agreeing with him on the point, will move it for him. I had often pressed the subject on the notice of the Board, without effect; but when about to proceed to England in 1853, I got the late Mr. Atkinson to take up the question, and the following entry appears on the Minutes.

14th June, 1853.—Mr. ATKINSON brought forward a notice of motion formerly given (and *withdrawn*, to be brought forward previous to the declaration of a Dividend), respecting the formation of a Reserve fund, to be formed out of accumulations in the Cash fund, and in addition to the stock paid up—which, after a full discussion, was agreed to be *further postponed*!

14th June (the same day).—Moved by Mr. CRAWFORD, seconded by Mr.

PERRIN—That a Dividend be declared for the half year, at the rate of 10 per cent. per annum.

The Dividend was declared, but the proposal for the Reserve Fund was "agreed to be further postponed." As the Board had very recently extended the business to England, I was the more impressed with the necessity for a Reserve fund, and therefore pressed the matter again on their notice, the day before I left for England.

17th June, 1853.—The subject of the Reserve fund having been taken up, the following Resolution was adopted:—Moved by Mr. ATKINSON, seconded by W. L. PERRIN, and Resolved—That the sum of £2,000 (my proposal was £3,000) be set apart from the Cash balance for the creation of a Reserve fund—the same to be maintained by periodical appropriations, at the discretion of the Board. Carried on a division by a majority of *one*!

On my return from England six months thereafter, I found that the above Resolution had never been acted upon, and no encouragement was given to re-open the subject. In 1854, as the business of the Company became more widely spread, and increased to such an extent and with such rapidity, I failed not to claim the serious attention of the Board to the danger of so extending the business without a corresponding extension of the paid up capital. This I did repeatedly, in writing from the United States, and the answer from Mr. O'Brien was, "the question is deferred till you return." On my return I failed to convince the Board of the necessity of a call on the Stock, to maintain our greatly extended business, encumbered with the heavy losses of the previous year and a half; the Money Market was *then* easy, but many saw the stringency which succeeded looming in the distance. The call would have been easily met then, but it was delayed till too late.

27th May, 1854.—The President brought before the Board the necessity of an increase to the paid up capital of the Company and a *revision of the principle on which profits have been hitherto declared*—on which a Committee, to consist of Messrs. Bowes, McDonell, Perrin and Crawford, was appointed, to investigate and report on the *financial statement submitted by the President*, and also to report on the state of the Office.

The Report of the Committee proposed no immediate increase to the paid up capital, which essential measure for our safety was postponed till the Money market became so stringent, that no accomo-

dation was to be had, and few could meet the call when made. Yet *two* half-yearly Dividends, at the rate of 10 per cent., were afterwards made, according to the old rule of leaving nothing to cover outstanding risks.

In reference to the Bonuses, in a faithful Report (as far as the data furnished me were to be depended upon) of the position of the Company, which I drew up in 1855, I informed the Board as follows: "The present derangement in the financial statements of the Company is clearly traceable to an error committed by the Board at an early period of our existence as a Company. This error consists of having lost sight of the principle, that Premiums accumulated *are not profits*, until the risks on which they were paid have terminated. Instead of separating the Premiums *earned* from the *un-earned*, and striking a balance between the former only, and the disbursements, to ascertain the profits—the disbursements were deducted from the whole receipts of the year, and the balance thus obtained was treated as profits, out of which large *Dividends* and *Bonuses* were paid, leaving the large amounts of undetermined risks uncovered or unprotected by Premiums!"

You may think it strange, Gentlemen, that with so many *Mercantile* men in the Board, it should have been necessary for an old Army Surgeon to instruct them as above—yet so it was; and three days after I had submitted that report I was, without warning, ejected from the position I filled upwards of five years, during which period I had frequently received the thanks of the Board, as well as of the Stockholders.

I come next to the charge of having used my official designation as President of the Company, to sustain my own credit in the Money market. This accusation was based solely on an authority to one Cochrane, in February, 1854, to draw upon me for a few hundred pounds, but which had never been used—the object for which the authority to draw was given having been abandoned without any action thereon. No suspicion existed in my mind that I had signed this paper officially, and had I done so *designedly*, I would certainly have withdrawn the paper when it was not required to be used. Having no evil design I had no suspicion, and in fact no knowledge of having done so. At the meeting of 1855 this charge was brought against me by Mr. John Cochrane, who had

been recently dismissed from his agency at Quebec, by the unanimous vote of the Board, his agency having proved ruinous to the Company. He was pleased to consider me as the cause of his dismissal, and in revenge produced the note in question, a year and a half after it was written, exhibiting the words "President Provincial Insurance Company," so like my own handwriting that in the hurry and excitement of the moment, and with so slight an examination of the paper, I concluded that it was so, but I have reason to doubt its authenticity. At all events, I solemnly deny, as I did then, all knowledge of having so signed my name; but if it was so signed, I can beyond a cavil prove, that instead of supporting my own credit by the name of the Company, I was myself the chief support the Company had to sustain it.

When that disastrous storm of December, 1853, strewed along both banks of the St. Lawrence a fleet of Merchantmen, containing goods insured by us exceeding £30,000, the Board requested me to proceed to the scene of the disaster and do my best for the interests of the Company. The generous confidence reposed in me by such implicit reliance on my judgment, induced me in return, to double my stock from £10,000 to £20,000, on the day I left Toronto for Quebec, viz., the 14th December, 1853. This was intended as an earnest to the people of Quebec and Montreal, of the confidence I had in the stability of the Company, *after* the extent of our losses was known to me; and what was the result? Easy terms for the settlement of our losses, and an increase in the year's business, showing an increase of Premiums amounting to £89,421, against £32,698 of the preceding year; and in the year 1855 the increase rolled on till it reached, on 30th June, the enormous sum of £158,269 in Premiums. Was this upholding my own credit at the expense of the Company—or did I uphold the credit of the Company by risking my own?

A few days after the date on which my accuser charges me with a selfish and criminal design in the use of my official signature, I added £5000 more to my stock, making up the large sum I have already named, £25,000, on which I paid up the calls that had been made;—and in July 1854, when evil days had come upon the institution, and the Bank we employed withdrew its accommodation, and dishonored cheques for small amounts in payment of dividends,

I advanced £3,000 to sustain our credit, at 6 per cent. interest, for three months; and again on the 18th of December, 1854, when unable to meet its liabilities, I advanced a further sum of £8,315; and on the 26th of January, 1855, the sum of £400,—all repayable *at the convenience of the Company*, and bearing only 6 per cent., when I had investments at 15 per cent. waiting for it. I thus added to the funds of the Company during the year, £4,700 on account of stock, and on loan £11,715, making a total of 16,415 from my own funds in aid of the Company. And in two or three weeks from the repayment of the loans, I was ejected from the Board by the stockholders, with a stigma on my name!

I come now to the allegation that I was the chief cause of the extension of the business to England and the United States, but especially to New Orleans. In refuting this charge, I by no means wish it to be understood that I did not give my assent to the extension of the business, when I happened to be present at the Board; for I have always held, and still hold the opinion, that a widely spread Insurance business, especially Marine, is safer than one contracted within a narrow limit. But as a popular outcry was raised at that time against foreign insurance, especially American, the *truth* must be told, whoever told the opposite. No man will readily believe that the movers and seconders of resolutions are not responsible for the measures they introduce, as the authors or supporters thereof. I shall again take the Minute Book as my guide:

14th June, 1853.—Moved by Mr. BOWES, seconded by Mr. McDONELL, Inasmuch as the President of this Company has announced his intention of visiting Europe during the present month, Resolved, That the President be requested to visit the Agencies in England and Scotland, and authorise the extension of the business of those Agencies beyond the present limitation, as may be thought desirable; and also that should he consider it desirable to *extend the business of the Company to Ireland*, he be furnished with all the authority this Board can give him for those purposes.

No Agency was opened in Ireland.

22nd February, 1853.—Captain WEATHERLEY returned from New-York, and reported in favor of extending the business of the Company to that city and Wilmington.—Moved by Messrs. BOWES and CRAWFORD, That the report of Captain WEATHERLEY on the subject of extending the business to New-York and Wilmington be referred to a special meeting, to be held on the 23rd instant—[the next day.]

23rd February, 1853.—The report of Captain WEATHERLEY, referred yesterday to this meeting, was taken up and again read, and Capt. WEATHERLEY called in and consulted with. After a careful consideration of the whole matter referred, the following Resolution was adopted *unanimously*:—Moved by Mr. BOWES, seconded by Mr. ROBINSON, That the President and Secretary be deputed to New-York to make the necessary arrangements for opening an Agency in that city; and should they find the information regarding the Wilmington Agency satisfactory, they are authorised to make the appointment; also such other arrangements as they may consider necessary for the protection of the Company's interests there.

We did *not* open an Agency at Wilmington.

8th June, 1853.—Moved by Mr. BOWES, seconded by Dr. HAYES, That JAMES CAMERON, Esq., be appointed Agent of the Company at Detroit, on the recommendation of Captain WEATHERLEY, and that Mr. CAMERON be requested to name an Agent at *Chicago*.

28th July, 1853.—The report of the Secretary, Mr. O'BRIEN, on the subject of an Agency at *New Orleans* for the Marine Department, submitted at last meeting, together with the notice of motion by Dr. HAYES, having been taken up, the following Resolution was adopted: That BENJAMIN FLORENCE, Esq., be appointed Marine Agent at *New Orleans*.

I was then in England, where I arrived on the 3rd of July, 1853, and did not return to Toronto till about the 10th November. Present at the above meeting: Mr. BOWES in the chair, Messrs. CRAWFORD, HAYES, ATKINSON, McDONELL and PERRIN.

23rd August, 1853.—Moved by Messrs. CRAWFORD and ATKINSON, that Mr. BOWES, V. P., and the Secretary, proceed to New-York to make new arrangements, and to open an Agency for the Fire Department in Philadelphia, and to make enquiry as to extending that branch to other places.

6th September, 1853.—A letter was read from STEPHEN R. CRAWFORD, Esq., of Philadelphia, recommending B. FLORENCE as Agent at New Orleans. Power of attorney to Mr. FLORENCE was read and approved.

4th October, 1853.—The report of Mr. BOWES, and the Secretary's proceedings at New-York and Philadelphia, were read and adopted and the following Resolution by Dr. HAYES and Mr. CRAWFORD was adopted: That Mr. STEPHEN R. CRAWFORD, of Philadelphia, be appointed Marine and Fire Agent, in room of Mr. WATERMAN.

Mr. WATERMAN had been appointed by STARBUCK, the Agent at New-York, and confirmed by the Board.

11th October, 1853.—Moved by Dr. HAYES, seconded by Mr. PERRIN that Fire business be added to the Marine, at New Orleans, under Mr. FLORENCE.

22nd November, 1853.—The sum of £200 was ordered to be paid to Mr. WATERMAN, as compensation for his loss and inconvenience, in having been superseded as Agent of the Company at Philadelphia.

6th December, 1853.—Moved by Mr. BOWES, seconded by Mr. CRAWFORD, That the New Orleans Agency be termed a Branch, instead of an Agency.

6th February, 1854.—On motion of Mr. Bowes and Mr. Crawford, the President was requested to proceed to Chicago to appoint an agent there; also to visit Cleaveland and the other posts on Lake Erie, and if deemed advisable by him, to make arrangements for agencies of the Company at such places, to do so. No agents except one at Cleaveland were appointed by me.

27th May, 1854.—On motion of Messrs. BOWES and CRAWFORD, agents were appointed at Boston and Louisville.

28th July, 1854.—Moved by Mr. BOWES that Messrs. HUBBARD and HUNT be appointed our agents at Chicago.

It is thus clearly proved that in the extension of the business to parts out of Canada, I am no more answerable than any other member of the Board. There was not a single *division* amongst us on the subject, and in the extension of the business to Philadelphia and New Orleans, I had no share, being in England at the time. For every appointment made by the Board, the V. P. Mr. Bowes gave his zealous co-operation, and to him alone belongs the merit or demerit of the Agency at New Orleans. Had he not reported in favour of it, along with Mr. O'Brien, it in all probability would never have been established; at all events I have been wrongfully accused on this head, by some members of the Board.

To shew that the Board was not inattentive to the working of these foreign agencies, prior to the Annual Meeting of 1855, it is only necessary to refer to the Minute Book.

30th August, 1854.—Ordered that the agencies of *St. John's, N. B.*, and at *Portland* be closed.

1st September, 1854.—*Charlotte Town, Prince Edward's Island Agency* closed.

19th January, 1855.—Fire business *discontinued* at New Orleans.

This last was done by myself without waiting the order of the Board. The bad position of the business at Boston was also prohibited, and only the best retained, and the agents at *Quebec*, New York and Philadelphia, were removed. The Glasgow and London agencies in Great Britain were also *closed*.

We have little reason to congratulate ourselves on the result of the last year's business, or on our prospect for the future. Our receipts are less than those of the previous year by nearly £12,000, whilst the salaries for conducting this diminished business are £874 3s. 1d. in excess of the former. True, our Manager informs us in a foot note, that the Surveyor's salary and Mr. Dartnell's allowance for six months, included in this account, are now discontinued, and that since the close of the year the salaries, *exclusive* of Inspector of Agencies, have been reduced to their present amount of \$8,600; but this reduced amount is still £240 in excess of the previous year's salaries. But why exclude the Inspector's salary, and why are the Stockholders not told the amount of said salary? In a circular dated 22nd April, 1858, Mr. Starr quoted for your information from his letter dismissing Mr. Whitmarsh, the former Inspector, as follows:—"The gentleman engaged to succeed you as Inspector, comes highly recommended, and forms part of the office staff; performing, while not away on duty as Inspector, the duties of Surveyor and Clerk in the Marine department of our business, to whom we pay a fixed salary; and we have reason to think this change will work well to all parties in the promotion of the best interests of the Company."

Is it because this gentleman has not answered the expectations formed of his fitness for a Marine Clerk that his salary (£300) is excluded from that of the *office staff* to which he belongs? This had better be looked into at the annual meeting. As the sum of \$8,600 is given as the *present* (and probable future) amount of salaries, add to this \$1200 for the Inspector, and an addition of \$800 to the Manager's salary from December next, (under present arrangement) and you have a total for salaries on a business dwindled down to a fourth of former years, of \$10,600. The diminution of the business is attributed chiefly, if not solely, to the pressure of the

times ; but at the Annual Meeting there *may* be a more faithful account given of the falling off of the business.

Our Manager has dealt largely in *promises*, but how have they been fulfilled? We are now about six weeks over the usual time of the Annual Meeting, and the Board has had neither Half yearly, nor Quarterly Returns of the state of our affairs, and at this late period, within eight days of the Annual Meeting, no *full, perfect* and *complete* Return has been before us, of the state and position of the Company. Yet we have a President (Mr. Howard), a Director (Mr. Whittimore) with nearly similar functions, and a Manager, on a salary of \$3,200 per annum.

With regard to this latter gentleman, I feel it my duty to inform the Stockholders, that shortly after his appointment, unfavourable rumours regarding him, reached some of the members of the Board, which, whether true or false, led to a continuance of a precautionary rule with him, which had been introduced towards his predecessor, and which has been continued to this day.

On the 15th of July last, a charge was preferred against him to the Board, *through me*, by a Stockholder, (the Company's late agent at New York) of a grave and serious nature. This charge, whatever opinion might be formed by individual members, of the truth or falsehood of the accusation, ought, in my opinion, to have met with prompt and decided action against the accused, or the accuser, more especially under the circumstance alluded to above. This course was not followed, but a middle or rather negative one. Whilst the accused took no open means to clear himself from the imputation on his character, perhaps encouraged to treat it lightly, by the free expression of opinions of the falsehood of the charge, made in his presence. But even if cleared of all criminality, his mismanagement of the case out of which the charge arose, with other matters, has destroyed my confidence in the present management. I mean thereby the President and Manager, together. To Mr. Whittimore I have no objection, if disunited from the others.

The present critical position of the Company demands ability and unquestioned integrity in its management, instead of caballing to get rid of a man who dares to take an independent course, without fear, and without favor. The stake I have in the Company is too large

to be trifled with, and I intend, if there is any doubt of a change in the management, to move to wind it up, rather than trust so large a sum to the feeble hands who now rule the Company.

I remain, Gentlemen,

Your obedient Servant,

A. M. CLARK.

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CLARK.

T.D.

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